



May 17, 2016

The Honorable Tory Rocca, Chairman
Senate Regulatory Reform Committee
Michigan State Senate
PO Box 30036
Lansing, MI 48909-7536

Dear Chairman Rocca,

We are writing to you on behalf of the Distilled Spirits Council of the United States (DISCUS) and the Michigan Spirits Association (MSA) in support of SB 448, legislation that would allow a distiller relief from Michigan's high tax on distilled spirits.

The distilling industry throughout the United States is enjoying a renaissance of creativity and innovation, but we are not without challenges. Of particular concern is the excessive tax burden distillers and our customers face. Currently, distilled spirits are one of the most heavily taxed consumer products in the United States. In fact, the combined federal, state and local taxes comprise over 62% of the typical spirits product's purchase price in Michigan. This unprecedented level of taxation has dramatically reduced margins and threatens the growth of the domestic spirits industry.

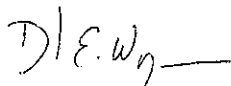
As you know, this legislation would allow both a large and small distillers to realize some relief by reducing the state mark up from 65% to 20% on the first 60,000 gallons sold. With this measured approach the state will not be favoring one segment of the distilling business over another. In fact, it would mirror closely federal legislation that has been introduced that would reduce the federal excise tax on distilled spirits.

While the MLCC, under the leadership of Mr. Andy Deloney, does an excellent job of providing a sound, supportive and responsive environment, spirits producers and consumers are subjected to the 11th highest tax rate in the country. In addition to that, the federal excise tax on distilled spirits is currently twice as much as beer, three times higher than wine. Michigan's tax rates are also skewed with much higher rates on the spirits industry. Spirits would still have the highest beverage alcohol tax rate, even if this legislation were to be enacted.

By reducing the tax burden on distillers, this bill will create an incentive for investment and job creation in new distillery businesses, just as lower tax rates have stimulated the birth of new wineries and breweries over the past 20 years. Consumers also would benefit from rate reductions at both ends of the production scale, with more than half of the cost of a typical bottle of spirits resulting from taxes and fees, they will benefit from greater choices and better prices.

We believe that this legislation will restore a sense of fairness and balance for the distilled spirits industry, its employees and the Michigan consumer. In advance, thank you for your support.

Best Regards,



David Wojnar
Distilled Spirits Council



Brendan Ringlever
Michigan Spirits Association

cc: Senate Regulatory Reform Committee Members